

Recovery Act Bulletin

SUBJECT: ARRA ADMINISTRATIVE COST RECOVERY FOR OVERSIGHT, REPORTING, AND AUDITING	NUMBER: 09-07
REFERENCES: OMB MEMORANDUM 09-18: PAYMENTS TO STATE GRANTEEES FOR ADMINISTRATIVE COSTS OR RECOVERY ACT ACTIVITIES. P.L. 111-5 ARRA, SECTION 1552. SET-ASIDE FOR STATE AND LOCAL GOVERNMENT REPORTING AND RECORDKEEPING. H.R. 2182 AND S. 1064 PROPOSED AMENDMENTS TO ARRA, SECTION 1552 (B).	DATE ISSUED: July 6, 2009
	SUPERSEDES:

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

The purpose of this bulletin is to provide information regarding the state's plan to obtain federal reimbursement for the new administrative activities required by the American Recovery and Reinvestment Act of 2009 (ARRA) pertaining to oversight, reporting, and auditing.

The federal Office of Management and Budget (OMB) issued Memorandum M-09-18 on May 11, 2009, Subject: Payments to States Grantees for Administrative Costs of Recovery Act Activities.

www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-18.pdf

M-09-18 addresses federal reimbursement for new administrative activities and stipulates that the overall funds used for these activities should not exceed 0.5 percent of the total Recovery Act funds received by the state.

A portion of the funds available from the 0.5 percent of total Recovery Act funds will be used for support of the California Federal Economic Stimulus Task Force, the Inspector General for the ARRA, and increased costs of central service agencies¹ related to their roles in oversight, reporting, and auditing.

Regular Administrative Cost Reimbursement:

The existing process to obtain federal reimbursement for administrative costs for federal programs is a three-step process.

1. A Statewide Cost Allocation Plan (SWCAP) is annually submitted by Department of Finance (Finance) to the federal government. This allocation identifies each department's share of

¹ Central services agencies provide administrative services that benefit multiple departments. Central service agencies include Finance, the State Controller's Office, Department of Justice, etc.

services received from the central service agencies. The SWCAP is one component of the indirect costs recovered from federal funds.

2. Most departments receiving federal funding annually submit an Indirect Cost Rate Proposal (ICRP) for approval. Other departments use a cost allocation plan (CAP) or a public assistance cost allocation plan (PACAP). The goal of each method (ICRP/CAP/PACAP) is to recover indirect costs the central service agencies and department incur to administer the federal program or grant. The indirect costs contain both the individual department's indirect costs and the allocated share of statewide indirect costs from the central service agencies. The result of an approved ICRP is an indirect cost rate percentage that is applied by the state to federal claims. Departments using a federally approved CAP or PACAP submit a bill to the federal government on a periodic basis to obtain federal reimbursement.
3. Each quarter departments receiving federal funds for central service agency costs make a transfer to repay the General Fund.

ARRA Administrative Cost Reimbursement:

Federal recoveries for the **NEW** administrative costs for the ARRA oversight, reporting, and auditing requirements will be included in a new indirect cost rate component that will be used in tandem with the regular indirect cost rate for central services. For departments using a CAP or PACAP a secondary plan will be approved and billed on a periodic basis.

The general expectation is that only a limited number of activities will qualify for the 0.5 percent supplemental ARRA administrative funding. Categories of costs already allowable under the existing SWCAP, ICRP or CAP are not allowable as ARRA supplemental administrative costs.

- 1) Finance will submit an addendum to the Statewide Cost Allocation Plan, identifying the new centralized service agency costs specific to ARRA for oversight, reporting, and auditing.
- 2) Finance will develop the allocation of central service agency costs for ARRA oversight, reporting and auditing activities for each department receiving ARRA funds. Upon receipt of the allocation each department will need to submit a new ICRP, or new CAP or PACAP to recover administrative costs for the **NEW** ARRA requirements. This ARRA ICRP/CAP/PACAP will include the department's individual new administrative costs for ARRA oversight, reporting and auditing requirements, and the allocated costs from the SWCAP addendum.
 - a. The approved ARRA administrative costs when calculated as a percentage to total ARRA funds will vary by department depending upon the new administrative activities identified by the state and the individual department.
 - b. The additional administrative costs identified will have to comply with the existing federal guidelines regarding allowable costs and federal memorandum M-09-18.
- 3) Each quarter departments receiving federal funds for ARRA central service administrative agency costs will transfer money to the General Fund.

Each department receiving ARRA funds should immediately begin preparing its projected costs for the additional ARRA administrative activities for oversight, reporting, and auditing. See Attachment I.

If your department is a central service agency, projected central service agency costs for new ARRA oversight, reporting, and auditing activities are due to Finance by July 31, 2009. See Attachment II.

Target Dates:

DATE	PRODUCT	FROM	TO
July 31, 2009	Central Service Agency estimated ARRA ORA* Costs	CA central service agency	CA Department of Finance
September 15, 2009	SWCAP Addendum of ARRA ORA costs	CA Department of Finance	U.S. Department of Health and Human Services
September 30, 2009	Statewide allocation by ARRA Department of ARRA ORA Costs	California Department of Finance	CA Department receiving ARRA funds
October 15, 2009	New ARRA ORA ICRP or ARRA ORA CAP	CA Department receiving ARRA funds	CA Department of Finance
November 15, 2009	Review completion date of ARRA ORA ICRP or CAP	CA Department of Finance	CA Department receiving ARRA funds
November 30, 2009	Submission of ARRA ORA ICRP or CAP	CA Department receiving ARRA funds	Federal cognizant agency

*Oversight, reporting, and Auditing.

Please note that the OMB will be releasing additional guidance pertaining to ARRA administrative cost recovery. Therefore, the instructions contained in this Recovery Act Bulletin are subject to change as more information becomes available.

If you have any questions please e-mail Fiprowp@dof.ca.gov or call Beverly Yokoi, Senior Administrative Analyst, Fiscal Systems and Consulting Unit, Department of Finance at (916) 445-3434, ext. 2144.